

Message Text

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ACTION SS-25

INFO OCT-01 SSO-00 ADP-00 /026 W
----- 020589

P 261130 Z MAR 73

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC PRIORITY 9199

S E C R E T SECTION 1 OF 2 SAIGON 4961

E X D I S

AIDAC

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E. O. 11652: GDS

SUBJECT: GVN PLANS FOR ECONOMIC ASSISTANCE

REF: SAIGON 4900

1. REFTEL ADVISED THAT FORTHCOMING GVN MISSION TO SAN CLEMENTE AND WASHINGTON WILL PRESENT COMPREHENSIVE PROGRAM COVERING BOTH NEAR- TERM NEEDS FOR RECONSTRUCTION AND REFUGEE RELIEF, AND LONGER- TERM DEVELOPMENT PLANS AND REQUIREMENTS. REQUIREMENT FOR EXTERNAL BALANCE OF PAYMENTS SUPPORT IN CY 73 IS PUT AT \$720 MILLION. THIS MESSAGE CONVEYS DETAILS OF GVN SUBMISSION IN AREAS OF EXTERNAL FINANCING REQUIREMENT, BALANCE OF PAYMENTS, IMPORT COMPOSITION AND GVN EXPENDITURES, AND MISSION PROJECTION OF MONETARY GAP CONSEQUENCES.

2. FINANCING REQUIREMENT - CY 73 REQUIREMENT IS PUT AT \$720 MILLION TO FUND \$870 MILLION IMPORTS, AS FOLLOWS:

FINANCING REQUIREMENT, CY 73

(\$ MILLIONS)

CIP (LICENSING)	400
PL 480 (PAYMENTS - LICENSING)	170
GVN (PAYMENTS - LICENSING)	265
AID FREIGHT	35

TOTAL REQUIRED 870

LESS: AVAILABLE FROM PIASTER PURCHASES AND

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EXPORTS 150

NET REQUIREMENT 720

3. BALANCE OF PAYMENTS - ASSUMING \$570 MILLION OF CIP AND PL 480
 AVAILABILITIES, GVN PROJECTS CY 73 BALANCE OF PAYMENTS AS FOLLOWS:

(\$ MILLIONS)

EXPORTS	40
PIEASTER PURCHASES	110
NET INVISIBLES	-0-
ADDITIONAL BALANCE OF PAYMENTS SUPPORT	150
GVN IMPORTS	-265
AID FREIGHT	- 35
RESERVE CHANGE	-0-

4. COMPOSITION OF IMPORTS - AS SUGGESTED BY INCREASED PROPORTION
 OF CIP LICENSING WITHIN TOTAL IMPORTS, THERE WOULD BE A SIGNIFICANT
 SHIFT AWAY FROM CONSUMER GOODS TO INVESTMENT GOODS AND RAW
 MATERIALS.

HOWEVER, BECAUSE OF THE LONG LEAD TIME ON NON- BULK CIP COMMODITIES,
 AND FACT THAT CY 73 IMPORTS WILL REFLECT ABNORMALLY LOW LICENSING
 LEVELS OF SECOND HALF CY 72, THE \$400 MILLION CIP LICENSING WOULD
 TRANSLATE TO ONLY \$295 MILLION OF CY 73 PAYMENTS. THERE FOLLOWS
 MISSION ESTIMATES OF LICENSING/ PAYMENTS BREAKDOWN BY CATEGORY OF
 FINANCING, WHICH IS CONSISTENT WITH DETAILED COMMODITY BREAKDOWN
 PROVIDED US BY GVN:

IMPORT PAYMENTS

(\$ MILLIONS)

JAN- JUNE JULY- DEC YEAR

A. LICENSING

CIP	200	200	400
PL 480	90	80	170
GVN	124	141	265
AID FREIGHT	18	17	35
TOTAL	432	438	870

B. PAYMENTS

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CIP	129	166	295
PL 480	75	95	170
GVN	130	135	265
AID FREIGHT	17	18	35
 TOTAL	351	414	765

5. REAL IMPORTS - AFTER DEDUCTION OF RICE AND AID FREIGHT, THE PROPOSED CY 73 IMPORT LEVEL, IN TERMS OF CURRENT VALUE, WOULD BE VERY CLOSE TO THAT OF RECENT YEAC (\$635 MILLION VS. AN AVERAGE \$617 MILLION, 1970-72). IN REAL TERMS, I. E., DEFLATED FOR DOLLAR COST INCREASES OF RECENT YEARS, IMPORT PAYMENTS WOULD BE FAR BELOW AVERAGE OF RECENT YEARS AND EVEN BELOW DEPRESSED 1972 LEVEL, AS CAN BE SEEN IN FOLLOWING SUMMARY:

IMPORT PAYMENTS

(\$ MILLIONS)

1970 1971 1972 1973 (PROJ.)

A. TOTAL	692	714	678	765
B. LESS: RICE	-95	-10	-47	-95
C. AID FREIGHT	-30	-2		

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ACTION SS-25

INFO OCT-01 SSO-00 ADP-00 /026 W
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P 261130 Z MAR 73
 FM AMEMBASSY SAIGON
 TO SECSTATE WASHDC PRIORITY 9200

S E C R E T SECTION 2 OF 2 SAIGON 4961
 E X D I S

6. MONETARY IMPACT- FOLLOWING IS MISSION FORECAST OF CY 73 MONETARY GAP, BASED ON \$765 MILLION LEVEL OF IMPORT PAYMENTS, GVN PROJECTIONS OF SPENDING, CREDIT AND SAVINGS, AND MISSION ESTIMATE OF REVENUES:

MONETARY GAP
 (VN\$ BILLIONS)

A. EXPANSIONARY	
GVN EXPENDITURES	490
US SECTOR EXPENDITURES, NET	61

OF PIASTER SOURCES

EXPORTS	24
INVISIBLE EXPORTS	27
CREDIT	75
TOTAL	677

B. CONTRACTIONARY

IMPORTS	315
ADVANCE DEPOSITS	20
GVN REVENUES	190
(DOMESTIC)	(160)
(IMPORT)	(30)
AID FREIGHT	16
INVISIBLE EXPENDITURES	31
SAVINGS & TIME DEPOSITS,	80
TREASURY BILL SALES TO THE PUBLIC, BANK CAPITALIZATION	
TOTAL	652

C. GAP

VN\$	25
PER CENT INC. IN MONEY SUPPLY	11 PERCENT

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7. PROJECTION OF IMPORT ABSORPTION, PARA 7, IS BASED ON CURRENT EXCHANGE RATES, WHICH IS IN TURN CONSISTENT WITH AN ASSUMED 10 PERCENT

DEVALUATION OF THE OFFICIAL RATE DURING COURSE OF THE YEAR. THE MONEY GAP MAY BE UNDERSTATED TO THE EXTENT THE REQUESTED ADDITIONAL FUNDING SHOULD INVOLVE PIASTER PURCHASES (I. E., INCREASED DOD PROGRAMS FOR MILCON, LOCAL PROCUREMENT, ETC.). THIS EFFECT WOULD BE LESSENERED, HOWEVER, IF BECAUSE OF RESOURCE LIMITATIONS SUCH PROGRAMS WERE TO DISPLACE INTENDED GVN EXPENDITURES ON RECONSTRUCTION/ DEVELOPMENT AND/ OR PRIVATE SECTOR DEVELOPMENT PROGRAMS.

8. GVN EXPENDITURES- GVN EXPENDITURE ESTIMATE INCLUDED PARA 7 ALLOWS FOR VN\$55 BILLION OF EXPENDITURES IN AREAS OF REFUGEE RELIEF AND RECONSTRUCTION, AS WELL AS VN\$15 BILLION FOR A PUBLIC SECTOR WAGE INCREASE, NOT PROVIDED FOR IN APPROVED CY 73 BUDGET. SAVINGS OF VN\$15 BILLION ARE TO COME FROM CUTS IN THE PRESENT BUDGET, FOR A NET ADDITION OF VN\$55 BILLION. BREAKDOWN FOLLOWS:

GVN EXPENDITURES
(VN\$ BILLIONS)

A. APPROVED BUDGET

MOND	231
GENERAL GOVERNMENT	175
RELIEF & RESETTLEMENT OF WAR VICTIMS	12
REHABILITATION/ RECONSTRUCTION	17
(PUBLIC WORKS)	(7)
(RECONSTRUCTION)	(2)
(LOCAL DEVELOPMENT)	(5)
(AGRICULTURE)	(3)
TOTAL BUDGET	435

B. RECOMMENDED ADDITIONAL

REFUGEE RELIEF & RESETTLEMENT	25
RECONSTRUCTION & RECOVERY	30
WAGE INCREASE	15
TOTAL ADDITIONAL	70

C. LESS: SAVINGS IN GENERAL ADMINISTRATIVE

AND DEFENSE EXPENDITURES	-15
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D. TOTAL EXPENDITURES

490

9. CY 74- A TENTATIVE PROJECTION OF CY 74 IMPORT PAYMENTS,
 ASSUMING GVN IMPORT AND CIP LICENSING LEVELS AT THE SECOND HALF
 CY 73 RATE, IS AS FOLLOWS:

IMPORT PAYMENTS, CY 74

	(\$ MILLION)
CIP	400
GVN	270
PL 480	120
AID FREIGHT	25
TOTAL	815

10. WITH ALLOWANCE FOR PAYMENTS ON RICE AND AID FREIGHT, AND
 AFTER ADJUSTING TO 1970 DOLLAR PRICES, IT IS HIGHLY UNLIKELY THAT
 THE \$ 815 MILLION IMPORT LEVEL TENTATIVELY PROJECTED FOR CY 74
 WOULD EXCEED THE 1970-72 AVERAGE, SIMILARLY ADJUSTED.

BUNKER

NOTE BY OC/ T: EXDIS CAPTION ADDED PER MR. VIETS, S/ SO.

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*** Current Handling Restrictions *** EXDIS

*** Current Classification *** SECRET

Message Attributes

Automatic Decaptoning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 26 MAR 1973
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973SAIGON04961
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GDS
Errors: n/a
Film Number: n/a
From: SAIGON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730337/aaaaaigh.tel
Line Count: 275
Locator: TEXT ON-LINE
Office: ACTION SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: 73 SAIGON 4900
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 05 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05-Dec-2001 by martinml>; APPROVED <25 FEB 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> jms 971224
Subject: GVN PLANS FOR ECONOMIC ASSISTANCE
TAGS: EGEN, n/a
To: SECSTATE WASHDC
SS
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005